

King V – As governance evolves, are the intended outcomes being achieved?

The King V Code on Corporate Governance (“King V”) was launched on 31 October 2025. The code is intended to promote responsible and sustainable business practices for organizations across all sectors, as opposed to the corporate sector – which is how the previous iterations of the King Code, including the King IV Code on Corporate Governance have been perceived. The King Code is recognised globally as pioneering when it comes to corporate governance best practice and is applied by organisations in a number of countries.

The release of King V came just ahead of South Africa hosting the Group of Twenty (“G20”) Leadership Summit 2025 of heads of state and government in Johannesburg during November 2025, under the theme “Solidarity, Equality and Sustainability,” where issues ranging from economic growth to a just energy transition and to sustainable development will be discussed. The Summit will take place amidst a world that is grappling with pressing challenges, including:

- geopolitical turbulence and deteriorating peace and security because of conflict in various parts of the world, disrupting established supply chains and increasing the cost of goods, including basic food items;
- extreme weather events and the catastrophic effects of climate change, where countries that are low emitters of greenhouse gas emissions and have contributed the least to the harsh effects of climate change, have been disproportionately affected;
- growing inequality that fuels food insecurity, economic displacement and ultimately migration;
- inflation that has resulted in a fall in real disposable incomes, resulting in a higher cost for food and energy, with despondency for, in particular, a youth population that has experienced reduced access to employment and uncertain prospects for the future; and
- a sovereign debt crisis where many countries spend more on servicing debt than they do on development priorities including healthcare and reducing poverty

Corporate governance is intended to achieve improved societal outcomes that address the challenges we experience, and to do so in an inclusive and transparent manner. During its G20 presidency, the South African government has aimed to prioritize Africa on the global agenda, emphasizing factors that promote a more inclusive and stable continent, which include that:

- global efforts are leveraged to tackle inequality, so as to sustain global growth;
- financing is mobilised to deal with the effects of climate disasters, build resilience against future shocks and harness Africa’s critical minerals; and
- the crippling debt burden on poor countries be reviewed and debt reform be initiated.

It is evident that governments, particularly those in poorer countries, cannot alone deliver on the aspirations of their citizens, and that business and civil society should together with government, collectively champion the required reforms to deliver systemic change. King V is therefore a necessary intervention to influence the strategy of organisations to inculcate methods designed to create value for stakeholders.

Criticism of earlier versions of the King code include that organisations have tended to respond in a compliance-driven manner as opposed to embracing a culture shift, where reporting becomes a box-ticking exercise. It follows then, that we need to assess whether King V will advance the cause of addressing some of the challenges we experience in society, and whether society will likely reap the positive effects that are intended.

Key questions to consider include the following:

- for organisations that have applied the principles from the prevailing governance code, have they experienced improved performance?
- for organisations that have not applied the recommended principles, have they incurred the wrath of stakeholders, and ultimately been subject to punitive measures such as a withdrawal of the social licence to operate?
- do members of a governing body or even governance professionals employed by an organisation, have sufficient influence to take decisions that can result in a positive impact beyond the organisation at which they serve?
- should corporate governance even attempt to venture beyond the traditional financial and non-financial performance metrics reported by organisations and directly seek to address the challenges that society is experiencing today?

In line with modern governance codes and the trend we see in developed economies, King V has:

- a simplified structure where the number of principles has been reduced (from 17 to 13);
- become user-friendly with enhanced visibility in that the foundational concepts, the code, the disclosures template and the glossary are presented in a deconstructed format, reducing the need to navigate through a consolidated document;
- aligned with international sustainability reporting trends by introducing the concept of double materiality for sustainability disclosures, which assessment extends to how an organisation's operations impact society and the environment ("impact materiality") and how sustainability-related factors affect the organisation's financial performance and long-term value ("financial materiality");
- the definition of independence has been enhanced to provide additional guidance regarding a cooling-off period and existing relationships to members of the governing body when performing assessments for individual members;
- provided additional guidance regarding the composition of the risk committee and social and ethics committees, requiring that these committees comprise a

majority of non-executive members, including at least one independent member; and

- built on the foundation of King IV by promoting ethical leadership and stakeholder trust where transparency and accountability remain core elements.

Positive elements of King V include recognising the need for a formal and structured approach to reporting on responsible and sustainable business practices. In this regard, notwithstanding the backlash from the United States where a wave of populism, explosion of misinformation, disinformation and outright denialism has reversed the adoption of measures intended to mitigate climate change and reporting on environmental, social and governance (“ESG”) factors; South Africa has remained true to its values by continuing to promote *ubuntu* as well as ethical and effective leadership.

When it comes to remuneration governance, King V seeks to align with the Companies Amendment Act 16 of 2024 that stipulates enhanced remuneration transparency and accountability by making provision for pay gap disclosures and an approach that is fair and responsible (in the context of overall employee remuneration in the organisation) when it comes to the remuneration of executive management. These reporting measures should be welcomed in a country that is the most economically unequal in the world, according to the World Bank. Executive remuneration requires a balancing of interests, seeking to attract and retain top talent that will deliver value for stakeholders while avoiding excessive rewards that provoke outrage and widen the inequality that pervades society today. Whether King V adequately tackles this conundrum is debatable, however, any reduction of the unsustainable wage gap will be indicative. The approach the code advocates, is to leave the responsibility to the governing body of organisations to apply the spirit of the code; as opposed to a prescriptive approach.

The world today is centred on the use and application of technology. King V recognises this evolution by placing responsibility on the governing body of organisations to set the direction for how information (which concept is defined broadly to include information technology, data and other emerging technologies) can be optimised and leveraged. Key in the process of handling information are the concepts of privacy and accountability, in a world where interconnectedness has become the norm, not borne from choice. It is incumbent on the governing body that its members understand the ecosystem in which we live and operate; where Big Tech dominates and scales are tipped heavily in the favour of the manufacturers and operators of smart devices, with FinTech innovations and facial recognition software as the standard; as opposed to an option, which individuals can elect to be subject to. Without smart devices today, financial and even social inclusion become difficult to achieve. How information is handled and stored, tends to favour the manufacturers or owners of technology applications, with privacy concerns generally overridden in exchange for access to these technologies, or in the case of facial recognition software for example, express consent has not been obtained. The ethical use of Artificial Intelligence (“AI”) including generative AI has become a topical issue, and governing bodies should require management to disclose the source of information that is placed before the board, to inform better decision-making.

King V promotes diversity in the composition of the governing body to reflect a mix of competencies and independence for its members. Many boards today do not have sufficient members possessing expertise in areas such as ESG, cyber security, digital skills and members who remain abreast of geopolitical developments, yet knowledge in these areas enables the governing body to exercise adequate oversight when it comes to matters of risk and compliance management.

The abovementioned challenges do however represent opportunities. Attributes of high performing governing bodies include effectively managing uncertainties and addressing sustainability issues. Societal expectations of companies have grown, whether this be to employ more people, mitigate climate disasters and to be exemplary in environmental stewardship, tackle corruption and be receptive to emerging issues. Being a member of a governing body today, requires resilience and adaptability, with the vision to turn what others consider to be challenges, into a competitive advantage. Any governance code, King V included, should be considered in this context - whether the code promotes behaviour that requires the leadership to consider not just relevant factors to achieve success for the organisation today, but to be forward-looking and prepared to manage risks of the future. While King V should be welcomed for its simplicity and design to be applicable to all organisations, it cannot be said to be sufficiently transformative to address the challenges of the unjust global order.

Sibani Mngomezulu

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